



Grand Rapids Area  
Chamber of Commerce

## **B Corporation Legislation**

Date: September 20, 2011

### **PASSED BY THE BOARD OF DIRECTORS ON SEPTEMBER 20, 2011**

**BACKGROUND:** Businesses across the country have incorporated sustainability into their everyday practices. In the state of Michigan there is not a business structure to support businesses looking to allow companies to legally structure themselves with the triple bottom line in mind.

The B Corporation appeals to social entrepreneurs and privately held companies that would like to be held to a higher standard, at a time when it has become trendy for corporations to boast about their socially conscious activities.

The state of Michigan recognizes four different types of business structures. The traditional business structures are as follows:

- Sole Proprietorship and Partnerships
- Limited Liability Corporations
- S-Corporations
- C-Corporations

Each structure has distinct differences in terms of liability and taxation. The focus of Senate Bills 359-60 and House Bills 4615-6 is to develop a new corporate form that supports the work of sustainable businesses. This legislation would create a new Benefit Corporation structure that would be recognized by the state for liability purposes only and would not impact issues of taxation.

Under the proposed legislation B-Corporations are differentiated by:

- Having a corporate purpose to create a material positive impact on society and environment
- Redefines the fiduciary duty to require consideration of non-financial interests when making decisions
- Reports on its overall social and environmental performance using recognized third party standards

These bills are similar to legislation that was signed into law in 2011 in both Maryland and Vermont and this year in New Jersey, Hawaii and Virginia. Similar legislation is now on the Governor's desk in New York awaiting a signature and is working its way through the legislature in four other states including California, North Carolina, and Pennsylvania.

**OPPONENTS:** Very little opposition has arisen in regards to this concept. The California Association of Non-Profits raised concerns that companies would no longer invest in charities and instead invest capital in B Corporations in lieu of charitable contributions. Supporters contend B Corporations will expand giving as more corporations are afforded the opportunity to consider more stakeholders.

**POSITION:** The Chamber supports the concept and principles of Senate Bills 359-60 and House Bills 4615-6. There are an increasing number of corporate leaders and investors that are looking to run their businesses in a way that considers the interests of more stakeholders (consumers, suppliers, employees and environment). Unfortunately, traditional corporate law defines the fiduciary duty of corporate officers and directors narrowly, making it difficult for businesses with a social mission to make the kinds of complicated decisions they face every day.

This legislation does not provide any tax benefit or relief and will not have any impact on state budget. For tax purposes, businesses who decide to become B-Corporations will be considered a C-Corporation, S-Corporation, LLC or Sole Proprietorship.

The Chamber will continue to educate interested parties and provide support to throughout the legislative process as we support our broad and diverse membership.